

State of Utah
School & Institutional
Trust Lands Administration

Jon M. Huntsman, Jr.
Governor

Kevin S. Carter
Director

675 East 500 South, Suite 500
Salt Lake City, UT 84102-2818
801-538-5100
801-355-0922 (Fax)
www.trustlands.com

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JUL 28 2010

SECRETARY, BOARD OF
OIL, GAS & MINING

May 7, 2008

Montezuma Wells Service, Inc.
c/o Earl Martinez, President
P.O. Box 540
Montezuma Creek, Utah 84534

Certified Mail, Return Receipt Requested, No. 7007 0220 0002 5864 5118

Re: State of Utah Special Use Lease Agreement No. 656

Dear Mr. Martinez:

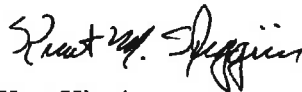
Effective March 1, 1985, the Division of State Lands (the successor agency to the School and Institutional Trust Lands Administration) and Hay Hot Oil, Inc. (Montezuma Wells Service, Inc.'s predecessor-in-interest) entered into Special Use Lease Agreement No. 656 (the "Lease"). The Trust Lands Administration and Montezuma Wells Service have twice amended the Lease. The Second Amendment, effective March 16, 2006, provided that operations conducted on the Lease premises would comply with a Pond A Cleanup Plan prepared by iina' ba' Inc., dated March 25, 2005, and a Brine Disposal Pit Revised Sampling Plan also prepared by iina' ba' Inc., dated April 27, 2005. The Second Amendment further provided that, in pursuing the Cleanup Plan, Montezuma Wells Service would comply with those requirements of the Utah Division of Oil Gas and Mining ("DOGM") and the Department of Environmental Quality.

The Trust Lands Administration is in receipt of a Division Order from DOGM (the "Order"), finding that Montezuma Wells Service has not followed the Cleanup Plan and is operating in violation of its permit from DOGM. The Order sets forth corrective actions and a compliance schedule which, if not followed, may result in DOGM assessing penalties against Montezuma Wells Service or bringing an action for cessation of its operations on the Lease premises.

The Trust Lands Administration concurs with DOGM that those corrective actions described in the Order must be completed according to the schedule set forth therein. If your company takes those actions set forth in the Order, the Trust Lands Administration agrees not to declare Montezuma Wells Service in default under the Lease for its past failure to comply with the terms of DOGM's operating permit and the Cleanup Plan. Failure on the part of Montezuma Wells Service to comply with the Order may result in the Trust Lands Administration declaring the Lease in default, which could in turn lead to termination of the Lease. If Montezuma Wells Service complies with the terms of the Order, future compliance with the Cleanup Plan and with the DOGM permit will still be required in order to comply with the Lease.

Please contact me if you have any questions on this matter. I can be reached at (801) 538-5166 and at the address set forth above.

Sincerely,

A handwritten signature in black ink, appearing to read "Kurt Higgins", written in a cursive style.

Kurt Higgins
Resource Specialist

Enclosure

Cc: Gil Hunt
Kim Christy
Michelle McConkie